

COUNCIL

Agenda # _____

MEETING OF January 27, 2004



STAFF REPORT

Public Hearing to Amend the Uniform Franchise Agreement with BFI Waste Systems of North America Inc. to Authorize the Commercial Food Recycling Incentive Program

January 27, 2004

Honorable Mayor and City Council:

Summary

The City of Belmont provides its residents and businesses solid waste management and recycling services by franchise agreement with BFI. In this item, the City Council is requested to amend the franchise agreement to authorize BFI to implement a commercial food waste and organics recycling program. Program authorization includes approval of a 30% incentive to encourage participation of commercial customers in this voluntary program. Finally, Council is requested to adjust commercial compactor rates to reduce the disincentive for their use.

Background and Discussion

Belmont is a member of the South Bayside Waste Management Authority (SBWMA), a Joint Powers Authority composed of ten southern and central San Mateo municipalities and organized to coordinate solid waste and recycling programs and compliance. The SBWMA Board is composed of staff representing each member City. SBWMA works closely with its contractor, BFI, to identify and implement recycling programs because the California Integrated Waste Management Board (CIWMB) requires all California municipalities to recycle at least 50% of their solid waste stream.

Commercial Food Waste and Organics Recycling Program: BFI first proposed a food waste recycling program to the SBWMA Board in November 2002. Over the following months, BFI and SBWMA worked together to negotiate an acceptable program. The SBWMA Board has reviewed the final proposal submitted by BFI in August 2003 (attached) and recommends its implementation. This program is modeled after the successful program currently underway in San Francisco. Participation in the program requires approval of the City Council with authorization to amend the BFI uniform franchise agreement.

Belmont attained a 55% recycling rate in 2001 but, based on preliminary data, appears to have dropped to a 49% rate in 2002 (the rate calculation is highly sensitive to economic growth variables). BFI currently provides residential and commercial recycling services for cans, bottles, plastics, cardboard and mixed paper at no additional charge to customers. BFI's records show that Belmont residents recycle over 50% of household waste, but commercial customers are recycling only about 13% of their waste. The commercial food waste recycling program is intended to increase these commercial recycling rates. Authorization of the program will also demonstrate a "good faith" effort by Belmont to comply with the State recycling requirement. The State has certified compliance of municipalities slightly under the 50% recycling rate based on their good faith efforts to encourage recycling.

Approximately 20% of commercial waste is composed of food and other organic material. These materials, including vegetables, meat, poultry, fish, bakery goods, waxed cardboard, wooden crates, floral trimmings, tree trimmings, brush, leaves and grass yard waste, can be composted and recycled. If authorized by the City Council, BFI will purchase collection equipment and containers, develop marketing materials, and start outreach to potential customers. BFI has agreed to start collection and processing of the material no later than December 2004. BFI expects to collect about 11,000 tons of food waste and other organic material over the entire SBWMA service area in the first year, increasing to about 22,000 tons by the third year. BFI will compost the waste at its Newby Island facility and will provide the finished compost free of charge to the participating municipalities.

Incentive for Food Recycling: Staff recommends a 30% rate discount from the garbage rate for the participating businesses in this program. The SBWMA Board and BFI have advised that municipalities need to provide no less than a 25% discount to motivate businesses to participate. BFI and SBWMA's consultant, HF&H, estimate the commercial food waste and organics recycling program startup cost would add about 2% to the first year waste collection expenses. Costs of the rate incentive and the reduction in garbage service will be allocated to all commercial customer in Belmont but would not be allocated to the residential accounts. The actual rate impact from the incentive program and garbage service reduction will depend on how many businesses participate and to what level they reduce their garbage service.

Commercial Trash Compactor Rates: The commercial trash compactor rate is a separate but related issue. In April 2003, the City Council adjusted residential and commercial rates to raise revenues and to encourage recycling. Belmont formerly had regressive rates that favored high-rate dischargers. The adjustment moved Belmont to progressive rates that favor low-rate dischargers. This encourages recycling because customers are not charged for pickup of recyclable materials. The cost for recycling is borne by the garbage disposal rates. Commercial trash compactor rates were increased 68%. They had been at the low end of the former rate scale based on their relatively low volume output, but were moved to the top of the scale based on an

analyses that considered their weight rather than volume output. An unintended consequence of raising trash compactor rates so high was that in some cases it creates a disincentive for their use. In the case of the Carlmont Shopping Center, tenants found it was less expensive to establish their own garbage accounts with BFI rather than to use the shopping center compactor. Modern trash compactors are built to contain liquid waste and otherwise limit dispersion of waste by wind or vermin so the City benefits by their use. Therefore, staff asks that the Council readjust the commercial trash compactor rate from the current \$45 per compacted yard to \$40 dollars per compacted yard. This would have represented a 41% increase in their rate over last year and results in a rate more comparable to the commercial can rate of \$78 per 96 gallon can. There are only five commercial compactor accounts in Belmont, so this adjustment has a small impact on revenue estimated at less than \$10,000 per year.

Fiscal Impact

There is no impact to the City of Belmont budget from the authorization of the commercial food waste collection program or adjustment of the compactor rates. All costs for solid waste and recycling services are paid directly to BFI by the residential and commercial customers. These fees are held by BFI and used to pay the operating expenses and profit authorized by SBWMA. In years when the fees exceed expenses, rate-payers build a reserve account with BFI. The commercial food program and commercial compactor adjustment is expected to increase operating expenses about 2% thereby reducing the current Belmont ratepayer's reserve. This increase in expense coupled with decreases in anticipated commercial revenue related to the economic downturn are such that a rate increase for commercial accounts is anticipated to be needed by the end of the calendar year.

Recommendation

Staff recommends that Council amend the Uniform Franchise Agreement with BFI Waste Systems of North America Inc. to authorize the commercial food waste recycling incentive program. Staff further recommends that Council direct BFI to reduce commercial trash compactor rate from \$45 per compacted yard to \$40 per compacted yard.

Alternatives

1. Deny the request.
2. Refer back to staff for additional information

3. Attachments

1. Resolution
2. BFI Commercial Food Waste and Organics Recycling Program Proposal

Respectfully submitted,

Kathleen E. Phalen, P.E.
City Engineer

Raymond E. Davis, III, P.E., PTOE
Director of Public Works

Jere A. Kersnar
City Manager

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT AMENDING
THE UNIFORM FRANCHISE AGREEMENT WITH BFI WASTE SYSTEMS OF
NORTH AMERICA INC. TO AUTHORIZE THE COMMERCIAL FOOD RECYCLING
INCENTIVE PROGRAM**

WHEREAS, the City Council of the City of Belmont did on January 3, 2001, by virtue of Resolution 8651, award a cost-reimbursable franchise agreement to BFI Waste Systems of North America, Inc. for solid waste, recyclable materials, and plant materials collection services; and,

WHEREAS, the City desires to increase recycling rates to comply with State requirements by providing recycling services for its commercial customers; and,

WHEREAS, BFI has submitted a proposal for a Commercial Food Recycling Incentive Program (hereinafter the "Program") dated August 13, 2003; and,

WHEREAS, the SBWMA Board including City staff have reviewed the proposal and recommend its approval and implementation; and,

WHEREAS, the SBWMA Board, staff and BFI recommend a financial incentive between 25% to 40% off the garbage rates of participating commercial customers to encourage participation; and,

WHEREAS, the cost of the program will depend on the degree to which commercial customers participate and thereby reduce their solid waste services, but is anticipated to increase operating costs by about two percent; and,

WHEREAS, the City desires to adjust commercial compactor rates from \$45 to \$40 per compacted yard to reduce the potential disincentive for their use; and

WHEREAS, a public hearing regarding the authorization of the Program and the commercial trash compactor rate was held on this date and all objections or protests were heard.

NOW, THEREFORE, BE IT RESOLVED that:

1. BFI shall implement the Program consistent with its August 13, 2003 proposal.
2. BFI shall offer an incentive discount of 30% off garbage rates to participating customers.
3. The costs of the Program shall be allocated to Belmont's commercial accounts.
4. BFI shall commence the Program no later than December 2004 and shall continue the Program for the remaining term of the Agreement and any extension thereof.
5. BFI shall adjust commercial compactor rates from \$45 per compacted yard to \$40 per compacted yard.
6. The City Clerk shall forward this resolution to BFI.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of Belmont at a regular meeting thereof held on January 27, 2004, by the following vote:

AYES, COUNCILMEMBER(S): _____

NOES, COUNCILMEMBER(S): _____

ABSTAIN, COUNCILMEMBER(S): _____

ABSENT, COUNCILMEMBER(S): _____

Clerk of the City of Belmont

APPROVED:

Mayor of the City of Belmont

SECOND AMENDMENT to the Agreement for Solid Waste, Recyclable Materials, and Plant Materials Collection Services ("Agreement"), dated for reference January 27, 2004, is made by and between the City of Belmont (hereinafter "CITY" and BFI WASTE SYSTEMS OF NORTH AMERICA, Inc. (hereinafter "CONTRACTOR")

RECITALS

Whereas, The CITY and Contractor entered into the Agreement, dated January 3, 2001; and,

Whereas Agreement anticipates that the CITY may request additional services or the modification of existing services there under; and,

Whereas, the Agreement provides that the CITY may direct Contractor to submit proposals from time to time to provide additional or expanded services; and

Whereas, the CITY is a Member Agency of the South Bayside Waste Management Authority (herinafter "Authority"), and the Authority, on behalf of the CITY, has requested a proposal from Contractor for a Commercial Organics Collection Program; and,

Whereas, Contractor has prepared a proposal in response to the Authority's request; and,

Whereas, Contractor and the CITY now desire to amend the Agreement to incorporate the Commercial Organics Collection Program.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Contractor shall implement the program to diverted commercial organic material from landfill disposal (hereinafter the "Commercial Organics Collection Program", or "Program") consistent with Contractor's November 20, 2002 proposal (Attachment 1), and subsequent clarifications and revisions dated: January 27, 2003 (Attachment 2); February 7, 2003 (Attachment 3); March 14, 2003 (Attachment 4); August 6, 2003 (Attachment 5); and August 13, 2003 (Attachment 6). Copies of the foregoing documents are on file with the Authority, the CITY, and the Contractor.

2. The Commercial Organics Collection Program shall commence not later than December 2004, and shall continue for the remaining term of the Agreement and any extension thereof.

3. Contractor shall report Program tonnage information and other such other operational information (e.g., changes in participants' solid waste service levels), in a content and format satisfactory to the Authority, as part of the existing quarterly MIS report provided by Contractor to Authority. In addition, Contractor shall submit Program financial information as a part of Contractor's annual rate application consistent with the provisions of Article 6 of the Agreement.

4. The Contractor shall be compensated for services rendered hereunder in accordance with Article 6 of the Agreement, except as provided below for processing expenses.

5. Accounting for processing expenses incurred hereunder shall be the product of

	Contamination Level	Processing Fee (per ton)
Tier 1	Less than 5%	\$ 30.00
Tier 2	5% to less than 10%	\$ 32.00
Tier 3	10% to less than 15% ⁷	\$ 36.00
Tier 4	15% to less than 20%	\$ 38.00
Tier 5	Greater than 20%	\$ 40.00

multiplying the number of commercial organic tons processed by Contractor by the applicable Processing Fee (per ton) specified below (hereinafter referred to as the "Processing Fee").

6. The applicable Processing Fee will be based on the quarterly assessment process as described in the Contractor's proposal letter dated March 14, 2003, referred to in paragraph 1 above. The Authority and/or The CITY may monitor the Contractor's quarterly assessment process to ensure that it reflects an accurate accounting of the contamination level for purposes of establishing the applicable Processing Fee. The Tier 2 Processing Fee of \$32.00 per ton will be applicable for the first quarter of the program.

7. The Tiered Processing Fee schedule will remain in effect without adjustment until December 31, 2006, the end of the current term of the Agreement. Any new governmental or regulatory agency fees that become effective during the current term of the Agreement will be added to the Tiered Processing Fee schedule.

8. Commencing January 1, 2007, and on every twelve month anniversary thereof ("Adjustment Date") the Tiered Processing Fee schedule shall be adjusted to reflect the change in the Consumer Price Index, All Urban Consumers, All Items Indexes, for the San Francisco-Oakland-San Jose Metropolitan Area, (Series ID: CUURA422SAO) published by the United States Department of Labor, Bureau of Labor Statistics ("Index"). The Index for the month of April preceding the Adjustment Date shall be the Comparison Index; the Index for the month of April twelve months prior thereto shall be the Base Index. On each Adjustment Date, each Tiered Processing Fee shall be adjusted to an amount equal to the product obtained by multiplying each TPF for the prior year by a factor equal to one (1) plus the percentage change in the Index between the Base Index and the Comparison Index. Any new governmental or regulatory agency fees that become effective after January 1, 2007, will be added to the Tiered Processing Fee schedule.

9. As an additional part of the Program, Contractor shall provide the CITY with finished compost measured by the inbound tonnage of organic material delivered to the Newby Compost Facility from Agency's Service Area. The CITY may elect to receive finished compost in accordance with the following exchange factors: (a) one cubic yard of bulk compost in exchange for each incoming ton of material delivered; (b) one, one cubic foot bag of compost in exchange for each two tons of material delivered; or (c) any combination of the foregoing. Contractor will provide additional bagged compost at \$1.00 per bag, subject to a CPI adjustment after the December 31, 2004. Compost requested by The CITY within a calendar year shall be charged against inbound tonnage only in the same calendar year.

10. In the event the Agreement is not extended after December 31, 2006, the Authority shall pay the Contractor the Net Book Value of the vehicles and containers required for the Commercial Organics Collection Program. In such event, the Authority shall have the

option, but not the obligation, to assume ownership of such vehicles and/or containers. If the Agreement is extended after December 31, 2006, then the Authority shall have the option, but not the obligation, to purchase the commercial organics collection vehicles and/or containers by payment to Contractor of the Net Book Value thereof at the end of the final term of any such extensions.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written by their respective officers duly authorized in that behalf.

CITY OF BELMONT

Dated: _____

City Manager

APPROVED AS TO FORM

Dated: _____

City Attorney

FUNDING VERIFIED:

Dated: _____

Finance Director

CONSULTANT

Dated: _____

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